

SASKATCHEWAN OPPORTUNITIES CORPORATION

# FIRST QUARTER REPORT 2013

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013



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# STRATEGIC DIRECTION

## Mission

*To support the growth and success of the Saskatchewan technology sector through the development and operation of technology parks.*

## Vision

*Saskatchewan's technology parks will be the best in the world.*

## Values

### Innovation

Leadership in the introduction of new solutions in design, operations and sustainability.

### Collaboration

Open and accountable in all our partnerships.

### Excellence

The pursuit of quality beyond competence and efficiency to create an attractive and livable work environment for our tenants.

## Goals

### Public Purpose

Grow Saskatchewan's technology sector by contributing to the growth of the parks' tenants, supporting the establishment of new technology companies and attracting new science and technology activity to the province.

### Stakeholders

Make it easy for all stakeholders to successfully accomplish their objectives in an environment of fairness, transparency and well being.

### Financial

Maintain profitability at a level that supports the growth of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our tenants.

### Innovation

Through our efforts and by the example we set, enhance the performance of our industry, our environment and the people we serve.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

The following management discussion and analysis should be read in conjunction with the Corporation's unaudited interim financial statements and notes to those statements for the three months ended March 31, 2013. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed. The Board of Directors for Saskatchewan Opportunities Corporation has approved these interim financial statements. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended December 31, 2012.

## Forward Looking Information

This discussion includes forward looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

## Corporate Overview

SOCO operates under the business name Innovation Place. The corporate mission is to support the growth and success of Saskatchewan's technology sector. Innovation Place fulfills this mission through the development and operation of technology parks on the campuses of the province's two universities in Saskatoon and Regina as well as a forest sector building in downtown Prince Albert.

The Saskatoon campus began operations in 1980 and presently is home to 125 tenants that occupy approximately 1.2 million square feet in 17 separate buildings. The Regina campus, opened in 2000, consists of 5 buildings housing 34 tenants and totaling approximately 400,000 square feet. The building in Prince Albert, opened in 2004, is 115,000 square feet and accommodates 16 tenants. The number of people working in Innovation Place facilities totals over 5,400 spread proportionately through the three locations.



## Core Business

Innovation Place manages specialized buildings primarily for technology companies and the service organizations that support them. Building specialization includes research greenhouses, laboratory buildings and industrial pilot plants. Specialized infrastructure includes laboratory utilities such as pure water and steam, process utilities such as high pressure steam and chilled water as well as a high performance data network.

Revenue is generated from leasing space in these buildings to a wide range of tenants that support each other's success. A typical lease arrangement would include a five year term with fixed revenue, adjusted annually for any increase in operating costs. Typical vacancy within buildings is approximately five percent. Major categories of operating costs include utilities, municipal property taxes, building and grounds maintenance and corporate administration. In general, both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions.

## Bio Processing Centre

Innovation Place operates the Bio Processing Centre, a contract processing centre in Saskatoon. It extracts high value compounds from plant material, primarily for cosmetic and specialized food purposes. Since 2000, approximately 20 Saskatchewan companies have used the Bio Processing Centre for their processing requirements as have a similar number from outside the province.

## Operational Highlights

	For the Three Months ending March 31, 2013	2013 Target
Employment growth within the parks	8	(82)
Vacancy	2.16%	3.1%

### Employment Growth Within the Parks

The small increase in employment is expected to reverse when a large tenant vacates later in the year. Although it is expected the space will be occupied by year end, it is expected to accommodate fewer employees.

### Vacancy

A number of tenants will be vacating during the year; however expansion demands of existing tenants remains strong.

## Financial Highlights

### Results of Operations

(in thousands \$)

	Three months ended March 31, 2013	Three months ended March 31, 2012	Change
Revenue	\$ 10,080	\$ 9,912	\$ 168
Operating expenses	(8,740)	(8,151)	(589)
Net finance expense	(397)	(409)	12
Net income	\$ 943	\$ 1,352	\$ (409)

Increased rental rates have resulted in an increase in rental operations revenue for the three month period of \$514,000. The impact on total revenue is offset by a \$314,000 decrease in Bio Processing revenue for the first quarter as processing activity at the Bio Processing Centre decreased from the prior year.

Significant increases in snow removal costs for the three month period, along with general expense increases, account for the overall increase in operating expenses.

### Financial Position

(in thousands \$)

	As at March 31, 2013	As at December 31, 2012	Change
Total assets	\$ 192,846	\$ 193,037	\$ (191)
Total liabilities	\$ 42,352	\$ 42,785	\$ (433)
Equity	\$ 150,494	\$ 150,252	\$ 242

There have been no significant changes in assets or liabilities since the beginning of the year.

## Outlook

Net income forecasted to December 31, 2013 is \$4,220,000. This represents an unfavourable variance of \$91,000 from the annual budgeted net income of \$4,311,000.

Total capital expenditures for 2013 are forecasted to be \$8,664,000, reflecting a decrease of \$88,000 when compared to the amount originally budgeted for the year.

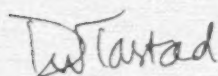
# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this quarterly report is consistent with that in the financial statements.

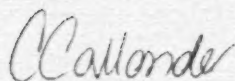
Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The Board of Directors has reviewed and approved these unaudited interim financial statements.

On behalf of management,



Douglas Tastad  
President and Chief Executive Officer



Charlene Callander  
Vice President and Chief Financial Officer

## FINANCIAL REPORT

## Condensed Interim Consolidated Statement of Comprehensive Income

(\$ Thousands - Unaudited)

	March 31, 2013 (3 months)	March 31, 2012 (3 months)
<b>Revenue</b>		
Rental	\$ 9,796	\$ 9,282
Bio Processing	227	541
Other	57	89
	<u>10,080</u>	<u>9,912</u>
<b>Expenses</b>		
Administration	1,281	1,223
Rental operations	7,070	6,520
Bio Processing operations	389	408
	<u>8,740</u>	<u>8,151</u>
<b>Results before the following</b>	<u>1,340</u>	<u>1,761</u>
Finance income	32	20
Finance expenses	(429)	(429)
<b>Net Finance Income (Expense)</b>	<u>(397)</u>	<u>(409)</u>
<b>Net Income and Total Comprehensive Income</b>	<u>\$ 943</u>	<u>\$ 1,352</u>



# Condensed Consolidated Interim Statement of Financial Position

(\$ Thousands - Unaudited)

	At March 31, 2013	At December 31, 2012
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 9,557	\$ 8,925
Trade and other receivables	1,948	1,776
Inventories	155	166
Prepaid expenses	323	43
	<u>11,983</u>	<u>10,910</u>
Trade and other receivables	1,294	1,268
Property, plant and equipment	2,778	2,833
Investment property	174,471	175,694
Debt retirement fund	1,374	1,370
Other assets	946	962
	<u>\$ 192,846</u>	<u>\$ 193,037</u>
<b>Liabilities and Province's Equity</b>		
Current		
Trade and other payables	\$ 3,854	\$ 4,485
Dividends payable	701	741
Deferred revenue	1,113	875
	<u>5,668</u>	<u>6,101</u>
Long term debt	<u>36,684</u>	<u>36,684</u>
	<u>42,352</u>	<u>42,785</u>
Province of Saskatchewan's Equity		
Retained earnings	<u>29,807</u>	<u>29,565</u>
Equity advances	<u>120,687</u>	<u>120,687</u>
	<u>150,494</u>	<u>150,252</u>
	<u>\$ 192,846</u>	<u>\$ 193,037</u>

# Condensed Consolidated Interim Statement of Changes In Equity

(\$ Thousands - Unaudited)

	Equity Advances	Retained Earnings	Total Equity
<b>Balance at December 31, 2011</b>	\$ 120,687	\$ 28,092	\$ 148,779
Net income for the period	-	4,270	4,270
Dividends declared for the period	-	(2,797)	(2,797)
<b>Balance at December 31, 2012</b>	\$ 120,687	\$ 29,565	\$ 150,252
Net income for the period	-	943	943
Dividends declared for the period	-	(701)	(701)
<b>Balance at March 31, 2013</b>	\$ 120,687	\$ 29,807	\$ 150,494

# Condensed Consolidated Interim Statement of Cash Flows

(\$ Thousands - Unaudited)

	March 31, 2013 (3 months)	March 31, 2012 (3 months)
<b>Operating Activities</b>		
Net income	\$ 943	\$ 1,352
Non-cash adjustments:		
Amortization of property, plant and equipment	109	113
Amortization of investment property	1,794	1,687
Finance income	(32)	(20)
Finance expense	429	429
	3,243	3,561
Working capital adjustments:		
Trade and other receivables	(198)	465
Inventory	11	45
Prepaid expenses	(280)	(284)
Trade and other payables, excluding interest	(502)	(444)
Deferred revenue	238	317
Cash provided by operating activities	2,512	3,660
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(54)	(100)
Purchase of investment property	(571)	(1,380)
Interest received	28	27
Increase in other assets	16	(43)
Cash used in investing activities	(581)	(1,496)
<b>Financing Activities</b>		
Interest paid	(558)	(558)
Dividends paid	(741)	-
Cash used in financing activities	(1,299)	(558)
<b>Net change in Cash and Cash Equivalents during the period</b>	632	1,606
<b>Cash and Cash Equivalents, beginning of period</b>	8,925	7,849
<b>Cash and Cash Equivalents, end of period</b>	\$ 9,557	\$ 9,455

# Notes to the Condensed Consolidated Interim Financial Statements

(\$ Thousands - Unaudited)

## 1. General Information

Saskatchewan Opportunities Corporation (the "Corporation"), which operates under the business name of Innovation Place, was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force in 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and has been designated a subsidiary of Crown Investments Corporation (CIC). The financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is subject to neither federal nor provincial income tax.

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks.

The Corporation's head office is located at 114 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

## 2. Basis of Preparation

### a) Statement of compliance

The condensed consolidated interim financial statements for the three months ended March 31, 2013 have been prepared in accordance with the recognition and measurement requirements of IFRS and the presentation and disclosure requirements of International Accounting Standards 34, *Interim Financial Reporting*. These interim results should be read in conjunction with the consolidated financial statements of the Corporation as at, and for the period ended, December 31, 2012.

### b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for held-for-trading financial instruments which are measured at fair value.

### c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

### d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and investment property, and the underlying estimations of useful lives, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and directly attributable overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory and investments.

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in these condensed consolidated interim financial statements include the accounting for special purpose entities and the determination of cash generating units.

### 3. Significant Accounting Policies

Excluding the changes noted below, the accounting policies applied by the Corporation in these condensed consolidated interim financial statements are consistent with those applied by the Corporation in its consolidated financial statements as at, and for the period ended, December 31, 2012.

Effective January 1, 2013, the Corporation adopted the following new and amended standards:

IFRS 9, *Financial Instruments*  
 IFRS 10, *Consolidated Financial Statements*  
 IFRS 11, *Joint Arrangements*  
 IFRS 12, *Disclosure of Interests in Other Entities*  
 IFRS 13, *Fair Value Measurement*  
 IAS 19, *Employee Benefits*  
 IAS 27, *Separate Financial Statements*  
 IAS 28, *Investments in Associates and Joint Ventures*

The impact on adoption of these standards was not material.

### 4. Operating and Administration Expenses

	<b>March 31, 2013</b> (3 months)	<b>March 31, 2012</b> (3 months)
Employee benefits	\$ 2,823	\$ 2,738
Utilities	1,069	994
Grants in lieu of property taxes	700	824
Amortization	1,903	1,800
Inventory consumed in the provision of services	229	203
Other	2,016	1,592
	<b>\$ 8,740</b>	<b>\$ 8,151</b>

Corporate Office

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